FOR MYSORE STATE

No. II-57—100,000—21-5-52.

Public (Resettlement) (1946) Department.

M_S SERIES.

G.O. No. 897

Dated 10-4-46

[Despatch Abstract.]

P.W.R. - Co-operative Workshops for Ex-Service men - Establishment of metal factories in certain Districts - Scheme submitted by Director of Resettlement and Employment - General approval accorded.

GOVERNMENT OF MADRAS.

Abstract

Post-war Reconstruction - Co-operative Workshops for ex-servicemen - Establishment of metal factories in certain districts - Scheme submitted by Director of Resettlement and Employment - General approval accorded.

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To
The Director of Resettlement and Employment.
The Registrar of Co-operative Societies.
The Accountant-General (through the Finance Department)
The Development Department.
The Finance Department.

Copy to the Services Resettlement Liaison Officer.
Copy to the Chief Liaison Officer.
Copy to the Secretary, Madras Provincial Sailors', Soldiers' and Airmen's Board.
Copy to all Collectors.
Copy to the Director of Industries and Commerce.

ANNEXURE

SCHEME.

(Post-war Reconstruction--Re-employment of ex-servicemen--Co-operative Workshops--Establishment of metal factories.)

About two thousand copper and tin smiths will be released from the Army by 31st March 1947.

In this Province, household utensils are mostly made of brass, copper, bronze and aluminim and are being manufactured generally as a Cottage Industry. During the war, owing to controls in respect of these metals, the industry suffered badly and the supply of household utensils became inadequate. There is, therefore, now a large demand for these utensils. The demand is very likely to increase further on account of the rise in the purchasing power in the hands of the people. It is advisable to take advantage of the present situation and organize the industry on a factory basis. By the use of up-to-date machinery such as presses and metal spinning lathes and the adoption of mass production methods, it will be possible to reduce the cost of manufacturing these articles. Government have already approved in G.O.Ms.No.554, Public (Resettlement), dated 5th March 1946, the establishment of a metal factory at Kumbakonam for ex-servicemen at a cost of Rs.2,87,000. A few more factories are required to meet the present large demand which will continue if the articles are made sufficiently cheap so as to be within the reach of the common man. The large number of tinsmiths and coppersmiths released from the Army can be readily absorbed in these factories. I therefore, propose to establish five more metal factories in the districts of North Arcot, Bellary, Malabar, Tinnevelly and Vizagapatam. The distribution is based partly on the relative strength of releases of ex-servicemen from those areas and partly on the industrial requirements of the Province. Articles will be manufactured from sheet metal as well as from scrap. The five metal factories will provide employment for about 1,000 ex-servicemen, at an average wage-rate of Rs.1-8-0 per head per diem with a bonus equivalent to about seven months wages and a dividend of 5 per cent on the share capital contributed by them. In each case the factory will be run by a co-operative society, the membership of which will be confined to ex-servicemen.

Membership and share capital:-- Each Co-operative Society will have a membership of about 200. It will be registered with a share capital of Rs.2,00,000 divided into 4,000 shares of Rs.50 each. Each ex-serviceman will be required to subscribe for at least one share subject to a maximum of twenty shares.

Management:-- The Management of the factory will vest in a Board of seven Directors. For the first three years, the entire Board will be nominated by the Government from among officials and non-officials. At the end of three years, the Board of Directors will consist of four persons elected by the members from among themselves and three persons nominated by the Government.

Capital expenditure:-- It will be necessary to incur the following capital expenditure:--

Capital Expenditure.	Rs.
Land.	10,000
Office buildings.	10,000
Stores buildings.	8,000
Sheds for machinery and workers-2 M.&B.sheds -105' x 36' 6"	22,000
Equipment--	
Two Toggle Drawing Presses (electrically driven.	20,000
Ten metal spinning lathes.	10,000
Twenty metal turning lathes.	10,000
Twenty polishing lathes.	8,000
Five grinding machines.	4,000
Two lathes 7½" centre, 7' long.	6,000
One drilling machine.	2,000
Work benches.	2,000
Five horse-power Air Compressor and sand blaster.	3,000
Foundry equipment.	6,000
Electro-palting equipment.	4,000
Turning tools.	2,000
Coppersmiths' tools,stakes,hammers,etc.	3,000
Miscellaneous small tools for carpenters, fitters, smiths and tinkers.	5,000
Electrical motors and equipment- 60 horse-power aggregate.	6,000
Foundations for machines and erection.	3,000
Pulleys,shafting,plummer-blocks,belting etc.	3,000
Contingencies.	3,000
Total capital expenditure.	1,50,000

This will work out at the rate of Rs.750 per each ex-serviceman employed.

Recurring expenditure.

Labour--		
200 men at Rs. 1-8-0 per diem; 200 X 30 X 12 X 1½.		1,08,000
Raw materials--		
Brass,copper,bronze, aluminium--		
200 tons at Rs.2,240 per ton.		4,48,000
Polishing materials.		20,000
Lubricating oil, etc		4,000
Fuel.		20,000
Crucibles.		6,000
Packing materials.		4,000
Electrical energy.		10,000
Establishment--	Rs.	
1 Works Manager.	500	
1 Secretary (Cooperative sub-Registrar)	150	
1 Foreman.	100	
3 Chargemen.	180	
3 Maistris.	150	
1 Head Clerk.	80	
1 Accountant.	60	
4 Clerks and typists.	160	
4 Peons.	120	
	1,500	
1,500 X 12		18,000
Maintenance and repairs of machinery and furnaces.		10,000
Depreciation at 5% on capital employed in the construction of buildings,that is Rs.40,000.		2,000
Depreciation at 10% on the capital employed on machinery, that is, Rs.1,00,000.		10,000
Interest at 5% on working capital one fourth- of Rs.6,44,000.		8,050
Contingencies.		11,950
Total recurring expendtiru		6,60,000

As per G.O.Ms.No.452, Public (Civil Defence-B).dated 14th February 1945, Government may meet the cost of the establishment for the first year if the factory is not able to make a reasonable profit.

Working Capital:-- The total amount required for wokring capital is estimated at Rs.1,61,000, being equivalent to three months' working expenses. This amount will be met partly from the share capital of the society but chiefly by borrowing from co-operative Central Banks. Government may guarantee, if necessary, the sums lent by Co-operative Central Banks.

Profits:-- Allowing a wastage of 5 per cent 190 tons of finished articles will be produced. At Rs.4,250 per ton, the total outturn will be Rs.8,07,500. The total recurring expenditure has been estimated at Rs.6,80,000. This will leave a profit of Rs. 1,27,500. Out of this profit, Rs.31,875 will be credited to the Statutory Reserve and Rs.31,875 towards a Dividend and Bonus Equilization Reserve Fund and the Balance will be distributed among the members by way of bonus, which will amount to about seven months' wages of each member.

Finance:-- The capital expenditure of Rs. 1,50,000 will be financed from the following sources:--

(1) Share Capital.
(2) Government grants.

The share capital of the society will be, as already mentioned above, Rs.2,00,000. But the amount expected to be collected immediately after the formation of the society is only about Rs. 10,000.

So far as Government grants are concerned, I recommend that the total expenditure of the five factories, that is Rs.7,50,000, may be shared equally between the Central and the Provincial Governments and the Post- war Services Reconstruction Fund.

Training:-- Provision will be made to train sixty ex-servicemen, who either have not had sufficiet experience in this line or belong to allied trades, in each factory. As soon as the training is over, they will also be admitted as members of the society. The training will be arranged under the Government of India Techinical Training Scheme, and the cost will be shared between the two Governments as already agreed to in the proportion of 60 Central and 40 Provincial. During the period of training they will be given a stipend of Rs. 15 each per month in addition to free food and housing accommodation. The training is expected to take about six to twelve months depending upon the individuals.

Housing:-- It will be possible to provide quarters for the workers at a cost of Rs.750 per head. The total cost of housing in the case of each of the factories will, therefore, come to Rs. 1,50,000. In his budget speech, the Hon'ble the Finance Member, Government of India, indicated that the Central Government would be prepared to give a subsidy up to 12½ per cent of the cost of providing housing for industrial workers if the Provincial Governments concerned would also make an equivalent grant. If the Provincial Government accept the proposal, 25 per cent of the cost of housing, that is, Rs.37,500 in the case of each of the factories, will be met from public funds. I recommend that the balance of Rs. 1,12,500 may be lent to the society at 4 per cent interest, the loan being made repayable in twenty equal annual instalments. Provision will be made for payment of the instalment amounts from out of the rents collected from the members in the first instance and the balance, if any, from out of the profits of the society. I should also like to suggest that in the a case of industrial co-operative societies like these, membership of which is confined to ex-servicemen, Government of India may be requires-ted to raise their contribution from 12½ per cent to 25 per cent. If the Government of India accept this proposal, the amount of loan which the Provincial Government will have to advance will be reduced to that extent.

As already mentioned, the total outturn of each of the factories is expected to be Rs. 8,07,500. The total outturn of the five factories, therefore, comes to Rs.40,37,500. On this Government will get an annual income of Rs.40,375 by way of Sales Tax. The Provincial Government will thus get a return of 11.7 per cent on their contribution of Rs.3,43,750, that is, Rs. 2,50,000 towards block expenditure and Rs.93,750 towards housing.

The Collectors will be asked to suggest suitable sites. The sites will be inspected by me or my deputies along with the Technical Expert to the Co-operative Department, and then steps will be taken for their assignment or acquisition as the case may be. In Vizagapatam district, the permanent buildings attached to the Bobvili Acrodrome situated near Badangi village are available for this purpose. They have been inspected by the Technical Expert and reported to be suitable.

All the equipment except electric motors required for the factories will be manufactured in the Public Works Workshops at Madras or other Workshops in the Province. Motors will be secured from Army surpluses, if available; otherwise, they will be purchased from local firms. I do not anticipate any difficulty either in the manufacture of the equipment or its local purchase. I hope to srart the Vizagapatam Factory by the end of June 1946 and the other factories by the end of March 1947.

Sanction is, therefore, requested (1) for the establish ment of the five more metal factories and (2) for the grant of Rs. 7.50,000 towards the capital expenditure of those factories (one-third from the Provincial revenues, one-third from the Post-War Services ~~Kunkrak~~ & Reconstruction Fund and the balance to be recouped from the Central Government). Instructions may also be issued to the Board of Revenue to assign free of cost lands whereever available ~~xxxxx~~ for locating the factories and housing the workers. In cases where such assingment is made, the amount of Rs. 10,000 provided for land in the capital expenditure will not be claimed.

The Co-operatives may be allowed the privelege of purchasing their requirements such as brass and aluminium sheets, steel and oils, through the stores purchase organization of the Government of India at their 'Rate Contract' rates This will be of great help to them as those rates are generally cheaper than the market rates.

Necessary arrangements may also be made with the Department of Industries and Civil Supplies, Government of India, to supply 750 tons of brass, 200 tons of aluminium, 150 tons of copper sheets and 100 tons of bronze or brass scrap, for the use of the six metal factories including the Kumbakonam factory.

/True Copy/

SUPERINTENDENT.
/-6-1953.
Madras Record Office.

KP/10.6.